

## Message Text

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ACTION ARA-14

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EB-08 FRB-03 INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02  
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E.O. 11652: N/A  
TAGS: EGEN, EAGR, BR  
SUBJ: DROUGHT AFFECTS PARANA'S ECONOMY

1. SUMMARY - THE EFFECTS OF THE PROLONGED DROUGHT ON THE ECONOMY OF THE WEALTHY AGRICULTURAL STATE OF PARANA ARE BEING INCREASINGLY FELT AS INDICATED BY AGRICULTURAL DATA, STATE GOVERNMENT TAX RECEIPTS, AND PRIVATE CORPORATION BALANCE SHEETS.

2. PARANA STATE AND BRAZILIAN GOVERNMENT OFFICIALS NOW ESTIMATE THAT CROP LOSSES FOR THIS YEAR (IN TERMS OF CURRENT MARKET PRICES) WILL TOTAL 16 BILLION CRUZEIROS, OR ALMOST ONE BILLION DOLLARS. THE SEVERE DROP IN AGRICULTURAL PRODUCTION HAS HAD AN IMMEDIATE EFFECT ON THE STATE'S EXPORTS AND SALES TAX (CIM) RECEIPTS AS SHOWN BY TABLE BELOW COMPILED FROM INTERNAL DOCUMENTS OF THE PARANA STATE SECRETARIAT OF FINANCE:

EXPORTS FROM PARANA, JAN - MARCH 1976-78

VOLUME (METRIC TONS)			STATE SALES TAX (ICM) COLLECTED (CURRENT THOUSANDS OF CRUZEIROS)		
1976	1977	1978	1976	1977	1978

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COFFEE	37,939	95,464	8,799	64,884	244,246	44,757
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(BEAN)

COFFEE	2,465	6,279	3,452	-	-	-
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(SOLUBLE)

CORN	15,441	136,082	6,179	1,119	20,834	1,347
SOYBEANS	41,800	24,347	10,600	6,609	13,182	4,465
VEGETABLE	23	5,836	22,566	-	341	-
OILS						
SOYBEAN MEAL	-	263,387	340,065	-	32,739	50,587
VARIOUS	1,285	20,094	40,601	721	11,501	2,903
TOTAL	98,953	551,489	432,262	73,333	312,893	104,059
TOTAL (1956 CRUZEIROS)				73,333	214,017	51,314

3. ON THE BASIS OF THIS AND OTHER DATA, THE SECRETARIAT OF FINANCE IS FORECASTING A 16.6 PERCENT SHORT FALL IN TAX RECEIPTS FOR THE 1978 BUDGET YEAR. OF THE 1.7 BILLION CRUZEIROS IN FOREGONE TAXES, A 1.4 BILLION CRUZEIRO LOSS WILL BE BORNE BY THE STATE GOVERNMENT AND 300 MILLION CRUZEIROS BY VARIOUS MUNICIPALITIES. A REPORT DETAILING THE STATE'S CONOMIC AND FINANCIAL DIFFICULTIES WAS SUBMITTED TO BRAZILIA THE WEEK OF APRIL 10-17 AND RECENTLY FOLLOWED UP BY THE VISIT OF GOVERNOR JAYME CANET JUNIOR TO PLEA FOR FEDERAL GOVERNMENT AID FOR BOTH THE AGRICULTURAL SECTOR AND THE STRAPPED STATE GOVERNMENT FINANCES. IN ANTICIPATION OF LIMITED OFFICIAL USE

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BUDGET CUTS, HOWEVER, THE STATE GOVERNMENT HAS ALREADY IMPOSED A HIRING FREEZE AND HAS BEGUN REVIEWING PUBLIC WORKS PROJECTS. NEVERTHELESS, MOST STATE ROAD PROJECTS WILL CONTINUE WITH THE HELP OF FOREIGN FINANCING: A 30 MILLION DOLLAR LOAN IS NOW BEING NEGOTIATED WITH MORGAN GUARANTY, NEGOTIATIONS MAY BE SOON INITIATED FOR ANOTHER 50 MILLION DOLLARS FROM MORGAN GUARANTY, AND DISBURSEMENTS OF A 50 MILLION DOLLAR IDB LOAN FOR AGRICULTURAL FEEDER ROADS ARE CONTINUING.

4. THE MULTIPLIER EFFECTS OF THE AGRICULTURAL SECTOR'S LOSSES OF INCOME HAS ALSO RIPPLED THROUGH THE FINANCIAL AND COMMERCIAL SECTORS. A LARGE U.S. BANK WHICH NORMALLY HANDLES 25 PERCENT OF EXPORT FINANCING IN PARANA, EXPECTS THIS BUSINESS TO DROP ALMOST 50 PERCENT FROM A MONTHLY ACERAGE OF 170 MILLION TO 90 MILLION CRUZEIROS. THE BANCO BAMERINDUS DO BRASIL, SIXTH LARGEST PRIVATE COMMERCIAL BANK IN BRAZIL AND THE LARGEST FINANCIAL INSTITUTION - PUBLIC OR PRIVATE - IN PARANA, REPORTEDLY IS CARRYING 25 MILLION DOLLARS IN BAD DEBTS. THE NUMBER OF "CONCORDATAS" (CREDITORS AGREEMENTS) HAS ALSO RISEN, ESPECIALLY AMONG AGRI-BUSINESS FIRMS. SEVERAL LARGE DEPARTMENT STORE CHAINS OPERATING IN WESTERN PARANA, THE AREA MOST SEVERALY AFFECTED BY THE DROUGHT, HAVE REPORTED SHARP DROPS IN SALES.

5. EMBASSY CONCURS.  
CHAPIN

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## Message Attributes

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